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STATE FOR NEA/ELA
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USDOC FOR 4520/ITA/MAC/ONE
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SUBJECT: LEBANON: POSITIVE ATMOSPHERE AT WTO WORKING PARTY, BUT
TOUGH QUESTIONS TO COME (ECONOMIC WEEK IN REVIEW, FEBRUARY 23 -
MARCH 1, 2009)

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POSITIVE ATMOSPHERE AT WTO WORKING PARTY
BUT TOUGH QUESTIONS TO COME

[1](#)1. (SBU) On March 1, Zouha Sakr, head of the MEPI-funded WTO
accession project at the Ministry of Economy and Trade (MOET), told
EconOff Lebanon's February 27 working party meeting in Geneva had
gone reasonably well, considering Lebanon had little new information
to report. She described the comments from the EU representative at
the meeting as "surprisingly positive," though she assessed that all
the working party participants were merely trying to put a positive
spin on what little Lebanon had accomplished. She expected the MOET
would receive a large number of difficult questions as follow-up to
the meeting, and described Lebanon's bilateral negotiations last
week as "tough."

[1](#)2. (SBU) On February 26, Michael Miller, head of the Economic and
Political Department at the EU Commission Delegation in Beirut,
expressed frustration at the lack of reform undertaken by the
Lebanese authorities in general and on trade in particular. He said
EU External Relations Commissioner Benita Ferrero-Waldner had spoken
bluntly to the Lebanese leadership about European disappointment
during her February 17 visit to Beirut. Miller expected little
progress at the working party, and said he expected EU officials to
be tough with Lebanon in bilateral discussions.

[1](#)3. (SBU) On a more positive note, on February 24, Fouad Fleifel,
Acting Director General at the MOET, told EconOff and visiting
Foreign Agricultural Service Attach Julio Maldonado that Minister
of Economy and Trade Mohammad Safadi had been active in pushing for
passage of WTO-related legislation, and hoped to see laws on

international trade, intellectual property rights, and food safety pass in the March parliamentary session. Ali Hamdan, advisor to Parliament Speaker Berri, confirmed to EconOff on February 27 that the laws were on the parliamentary agenda.

LEBANON SIGNS MOU ON TRANSBOUNDARY
WATER WITH ITALY...

14. (U) On February 24, Minister of Energy and Water Alain Tabourian and Italian Ambassador Gabriel Checchia signed a Memorandum of Understanding (MOU) to install measurement devices to monitor transboundary water courses of the Wazzani, Hasbani, and Orontes rivers, as well as to train technical staff at the ministry on using this equipment. This MOU aims to help Lebanon better manage its transboundary water resources given climate change in the Mediterranean region, Tabourian said publicly.

15. (SBU) Meanwhile, Tabourian said the problem of water shortage can only be solved by implementing the 2000-2009 plan for dams. To date, only one dam, the Shabrouh dam (in Kesrwan), has been built, due to lack of funding. Tabourian requested an additional \$30 million over the \$50 million already included in the 2009 budget law draft in order to complete dam construction in 2009, Ministry of Energy and Water (MEW) director general Fadi Comair told us.

... AND AN ELECTRICITY
AGREEMENT WITH EGYPT

16. (SBU) On February 21, Minister of Energy and Water Alain Tabourian and Egyptian counterpart Hassan Younis signed an agreement

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whereby Egypt will sell Lebanon between 150 and 450 megawatts of electricity through the power grid passing through Jordan and Syria starting next month. This will enable national power utility Electricite du Liban (EDL) to supply all Lebanese regions with an additional two hours of electricity daily, Tabourian announced. Most areas in Lebanon, except the capital Beirut, currently suffer from eight to 12 hours of power cuts daily. Tabourian's senior advisor Ibrahim Menassah declined to provide details about the price Egypt will charge Lebanon, but said, "The deal was the best available." Given Lebanon's desperate electricity needs, EDL Chairman Kamal Hayek told us that he was "satisfied" with the deal. Since mid-2008, Tabourian and Hayek have been trying to get Egypt to sell Lebanon electricity at a "reasonable" price, i.e. closer to the subsidized rates Egypt provides domestically and to other countries in the region.

PIRACY RELATED LOSSES
REACH \$31 MILLION IN 2008

17. (U) According to the International Intellectual Property Alliance (IIPA), piracy-related losses in Lebanese copyright-based industries reached \$31 million in 2008, up from \$26.8 million in 2007. Total losses in 2008 accounted for 4.6% of total losses in the MENA region. Although the IIPA recognized Lebanon's efforts to improve copyright protection, particularly relating to illegal cable providers, copyright infringements remained a "significant hurdle" to doing business for record companies, motion picture firms, and other copyright-based industries. Meanwhile, on February 24, the Internal Security Forces' (ISF- police) Cyber Crime and IP Bureau destroyed 100,000 pirated CDs/DVDs confiscated across Lebanon.

HIZBALLAH DELIVERS 200 HOUSING UNITS
IN BEIRUT'S SOUTHERN SUBURBS

18. (SBU) On February 26, Hizballah's Wa'ad ("promise") institution turned over eleven rebuilt residential buildings, comprising 200 apartments, to their owners in Beirut's southern suburbs (the Hizballah stronghold of Dahieh), Abbas Sabbagh, journalist for moderate anti-Syrian An-Nahar told us. Wa'ad, which Hizballah

established in May 2007 to rebuild residences in Dahieh following the July 2006 war and which is on Treasury's list of organizations supporting Hizballah, is supposed to complete the project by June 2009, said Sabbagh, who has close contacts in Hizballah, but he believes that only 70 percent of the work will be completed by then.

Wa'ad had previously handed over ten residential buildings to their owners, eight in Dahieh and two in Tyre, he said. Hizballah's Al Manar television commented on February 25 that this "proves the ability of the resistance to score victory through construction regardless of the obstacles or the challenges."

INDUSTRY MINISTER VISITS IRAN
TO DISCUSS ECONOMIC TIES

¶9. (SBU) On February 25, Minister of Industry Ghazi Zoayter returned from a four-day official visit to Tehran following an invitation from Iranian counterpart Ali-Akbar Mehrabian to promote bilateral economic and industrial ties. Zoayter, a member of the opposition Amal party, was accompanied by a delegation of senior staff from the ministry, the presidents of the Tripoli, Sidon, and Zahle Chambers of Commerce, Industry and Agriculture, and other businessmen. Zoayter publicly said the joint Lebanese-Iranian economic committee will meet in March in Beirut to revive previous agreements and sign new ones. President of the Sidon Chamber of Commerce, Industry and Agriculture Mohammad Zaatari told us talks were general in nature, and no specific projects were discussed. The purpose of the visit was to lay the groundwork for Lebanese and Iranian businessmen to cooperate on future economic projects, he said.

PUBLIC DEBT REACHES
47 BILLION IN 2008

¶10. (U) According to the Ministry of Finance (MOF), gross public debt reached \$47 billion at end-December 2008, or an 11.9% increase

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from end-December 2007. As a percentage of GDP, public debt stood at 164%, down from 175% in 2007. Foreign debt decreased slightly by 0.4%, to \$21.140 billion, while domestic debt increased by 24.3 percent, reaching \$25.875 billion in 2008.

INTEL PLANNING TO ESTABLISH
IT RESEARCH CENTER IN BEIRUT

¶11. (SBU) On February 26, Intel Regional Manager Toufic Arabi and Country Manager Alexandre Loucas told EconOff that they are preparing for the March 10 launch of their pilot project with the Ministry of Education to give 560 laptops to nine schools across Lebanon. Meanwhile, Intel is also working on setting up an IT research center in Beirut, to be based at the American University in Beirut (AUB) in collaboration with the Lebanese University (LU), which would be part of a network linking Egypt's Nile University IT research center and Saudi Arabia's King Abdullah University of Science and Technology (KAUST). Intel's chief technology officer Justin Rattiner is expected to visit Beirut in the second half of April for this project.

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